Financial Consumer Agency of Canada
Agence de la consommation en matière financière du Canada

Credit Cards and You

Fall 2002

This guide is for you if you would like to know more about:

- How to choose a credit card
- How interest is calculated on credit cards
- How to get the most from low introductory rates
- How to get a copy of your credit file
- How to protect yourself from unauthorized transactions
- How your credit card compares to other credit cards
- How to save money

Financial Consumer Agency of Canada

Canada

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Key Terms Used in *Credit Cards and You*

Annual Fee: Charge levied each year for use of a credit card, billed directly to your monthly statement. Many credit cards come without an annual fee.

Annual Interest Rate: Annual interest rate charged on purchases not benefitting from the interest-free period. For cash advances or balance transfers, interest is charged from the day the funds are withdrawn (there is no interest-free period).

Balance Transfer: Transfer of an outstanding credit card balance from one card to another, usually between different institutions. Interest is usually charged by the new card issuer from the day the amount is transferred to the new card (there is no interest-free period).

Cash Advance: Withdrawal of funds from your credit card up to the credit limit allowed. May be subject to daily limits. Interest is charged from the day the funds are withdrawn (there is no interest-free period).

Grace Period: The grace period is the time between the statement date and the payment due date, and is provided by the credit card issuer. The grace period usually varies between 19 and 26 days and is a component of the interest-free period. The grace period may not apply unless certain conditions are met.

Interest-free Period: The interest-free period on new purchases is the time from the day you make a purchase to when the credit card issuer begins charging you interest on that purchase. The interest-free period includes the grace period provided by the credit card issuer, and may not apply unless certain conditions are met.

Method 1: Method used by some credit card issuers to determine whether the interest-free period applies to your new purchases. The interest-free period applies to your new purchases only if you pay your current month's balance in full by the due date.

Method 2: Method used by some credit card issuers to determine whether the interest-free period applies to your new purchases. The interest-free period applies to your new purchases only if you pay your current month's balance in full by the due date, and have also paid your previous month's balance in full by the due date (you are not carrying a balance from the previous month).

Minimum Payment: Minimum amount payable each month on the balance owing on a credit card.

Penalty Interest Rate: Rate at which penalty charges are calculated. Only applies to charge cards.

Prime Rate: The interest rate a financial institution charges on loans to its best customers.

What's New in This Issue of *Credit Cards and You*

New Topics

- ***Four Steps to Choosing a Credit Card*** (page 3) provides a step-by-step process to help you select the right credit card for your needs and financial situation.
- ***Building a Credit History with a Credit Card*** (page 11) explains what can be found in your credit file and how to obtain a copy of it from the credit bureaus. This section also gives tips on how to build and maintain a good credit history with your credit card.
- ***If You Find Unauthorized Transactions on Your Account*** (page 12) describes the steps to take if you find unauthorized transactions on your account and provides tips on how to protect yourself.
- ***The Student Credit Card Comparison Table*** (page 19) gives an overview of the features of credit cards specifically geared to students. The section *Building a Credit History with a Credit Card* can be of particular interest to students.

New Cards

- The *Bank of Montreal* replaced all of its credit cards with the new Mosaik MasterCard that allows you to build your own card with the features you want (pages 15 and 17).
- *Niagara Credit Union* replaced its Regular MasterCard with the No-Fee Loyalty MasterCard (page 17).

Interest Rate Increases

- *Capital One* raised its six-month introductory offer from 0% to 2.9% (page 18).
- *Niagara Credit Union* raised the interest rate on its Low-Rate MasterCard from 9.25% to 13.90% (page 15).

Interest Rate Decreases

- *Capital One* changed the interest rate range for its regular card from 9.9%-19.8% to 7.9%-19.8% (page 18).
- *Vancouver City Savings Credit Union* lowered the interest rates on its Envirofund Visa from 18.50% to 17.75%, and on its low-interest option card from 10.50% to 9.75% (pages 15 and 17).

Expired Offers

- *HSBC Canada's* introductory offer of 5.9% interest on cash advances and balance transfers expired on June 30.
- *Scotiabank's* six-month introductory rate offer is no longer available.

Other Changes

- *TD Bank* changed the method of determining the interest rate on its TD Emerald credit card from a pre-determined rate of 12.9% to a range of "prime + 1.9%" to "prime + 6.9%" (page 16).

Four Steps to Choosing a Credit Card

Don't know where to begin in choosing a credit card? Follow the four steps below to help you with your search.

Step 1 - Know your needs and wants. Ask yourself:

- How much will you be spending on the card each month?
- Will you be able to pay your balance in full each month?
- Would you benefit from reward programs?
- Are you prepared to pay an annual fee?

Step 2 - Use Table 1 on the next page to help you pick a type of credit card (low-rate, standard, student, retail or charge). It's as easy as A, B, C:

- **Column A** lists the features of each type of card.
- **Column B** describes how to choose a card type based on your needs and wants.
- **Column C** points you to the table that compares the various cards of that type.

Step 3 - Shop around for a credit card within the type you have chosen. Go to the page indicated by Column C to help you compare the features of cards from different issuers.

Step 4 - Before you make your final choice, understand all the terms and conditions of the credit card. This step is important because it may save you a lot of time and money! By understanding the terms and conditions of your credit card, you will benefit more from it and you will minimize the drawbacks of using the card. Make sure you understand the following:

- Interest rate charged on purchases, cash advances and balance transfers and how interest is calculated
- Annual fee and other applicable fees
- Grace period (explained on page 6)
- Minimum monthly payment
- Consequences of late payments
- Other features and enhancements, such as introductory offers (explained on page 9)
- What you have to do if you have a complaint or problem with your credit card.

A credit card agreement is a legally binding contract. As with any other contract, **make sure you understand all the terms and conditions before using the card. Always ask questions about anything that isn't completely clear to you!**

Benefits of a Credit Card

- Helps you establish a credit history and earn a credit rating
- May be more convenient to carry than cash
- Offers free use of funds if you *always* pay your balance in full and by the due date
- Some credit card issuers offer incentives such as reward points you can use towards merchandise or services
- Convenient payment option for purchases made on the Internet and over the phone

Drawbacks of a Credit Card

- May encourage you to spend more and incur more debt than you can handle
- May negatively affect your credit rating if your payments are late
- Some terms and conditions of the credit card may be difficult to understand
- Typically more expensive than other forms of credit, such as a line of credit or personal loan

Table 1: What Type of Credit Card Is Right for You?

	A	B	C
Type of Card	**Features**	**Choose If...**	**Comparison Table**
Low-Rate Card	· **Low annual interest rate (usually around 12%)** · Generally has an annual fee · May have reward programs	· You tend to **carry a balance** · Your savings on the interest **outweigh your annual fee** (Example 1 on page 5 shows how much you can save with a low-rate card)	Pages 15-16
Standard Card	· **Higher annual interest rate than low-rate card (usually around 18%)** · Generally has no annual fee · Often has reward programs	· You normally **pay your balance off in full** each month · The value of the reward program outweighs your annual fee (if any)	Pages 17-18
Student Card	· Generally has the same features as low-rate or standard cards, but geared specifically to students · Can help you build a credit history (see page 11) · Often has reward programs such as discounts in bookstores or clothing stores	· You are a student · You can take advantage of the benefits the student card offers, such as discounts in bookstores	Page 19
Retail Card	· **Higher annual interest rate than standard card (usually around 28%)** · Generally has no annual fee · Generally offers store discounts or other reward programs · Can usually only be used at the issuing retailer or a limited number of stores · Calculation of interest is often complex · Some retailers charge you less interest by calculating it from the statement date instead of the purchase date, or if you pay at least 50% of the balance	· You normally **pay your balance off in full** each month · You often shop at a specific retailer · You can take advantage of the benefits the retailer offers	Page 20
Charge Card	· Must pay entire balance off each month · Generally has a high annual fee · High penalty rate for late payments (usually around 30%) · Has an unlimited credit limit · Often has a longer grace period than other cards · Often has reward programs · Can usually only be used at the issuing retailer or a limited number of stores	· You **pay your balance off in full** each month · You can benefit from options such as unlimited credit or reward programs	Page 21

Do You Carry a Balance? Options to Save You Money

If you carry a balance on your credit card, low-rate cards or lines of credit may be beneficial to you. You can save money by:

- switching from a higher-interest rate credit card to a low-rate credit card

OR

- paying off your higher-interest rate credit card balance each month with a line of credit.

Example 1 shows how much you could save by using a low-rate credit card or line of credit instead of a card with a higher rate of interest.

Example 1: How Much Money You Can Save with a Low-Rate Credit Card or a Line of Credit

	Standard Credit Card	Low-Rate Credit Card	Line of Credit
Average monthly balance	$2,500	$2,500	$2,500
Annual interest rate[1]	x 18%	x 12%	x 8.75%
Annual interest charges	= $450	= $300	= $218.75
Annual fee[1]	+ $0	+ $20	+ $0
Total annual cost	**= $450**	**= $320**	**= $218.75**
Total annual savings[2]	–	**$130**	**$231.25**

[1] Based on the average of the six major banks, cajsses and credit unions listed in this publication for both standard and low-rate cards. For lines of credit, the annual interest rate is an approximation of the November 2002 industry average and will vary between institutions and with your credit rating.

[2] This example assumes you carry a constant balance of $2,500 and that you make all minimum payments on time. Otherwise, your interest rate may increase, or you may be subject to additional fees that will increase your overall costs. If you compare the low-rate card with a retail card for the same outstanding balance the savings are even higher.

How Interest Is Calculated on Credit Cards

If you always pay the amount owing on your credit card by the payment due date, you never have to pay any interest.

If you do not always pay the amount owing on your credit card in full by the due date, it is important for you to understand how your credit card issuer calculates the interest charged on the various types of transactions you can do with a credit card.

New purchases

- These are purchases that appear on your monthly statement for the first time.
- They **can be interest-free under certain conditions** (see the following section on interest-free periods).

Old purchases

- These are purchases that were listed on a previous statement and not paid off.
- **You are charged interest from the date you made these purchases** (some credit card issuers charge interest from the date the purchases are posted to your account) until they are paid in full.

Cash advances and balance transfers

- **You are charged interest from the date you made the cash advance or balance transfer.**
- There is no interest-free period on these transactions.

The Interest-Free Period on New Purchases

The interest-free period on new purchases is the time from the day you make a purchase to when the credit card issuer begins charging you interest on that purchase. **But it only applies if certain conditions are met** (see "When Does the Interest-Free Period Apply?" on the next page).

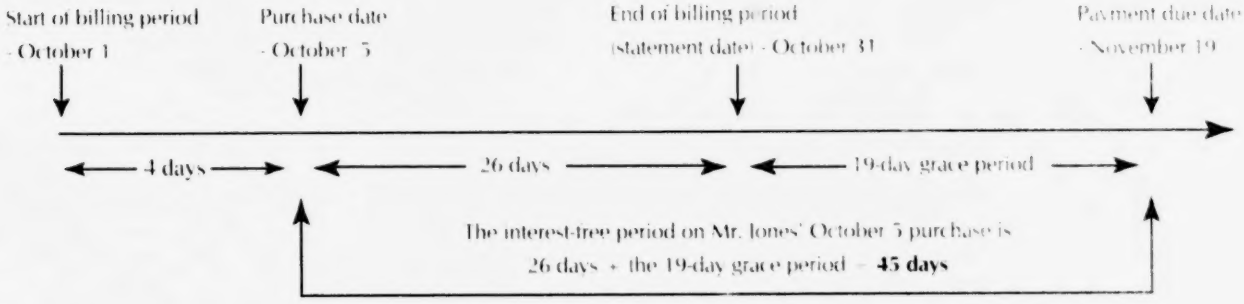
The interest-free period has two parts:

1) the time between the purchase and your statement date, and

2) the time between your statement date and your payment due date. **This is called the grace period**, and it is provided by the credit card issuer. The grace period can vary from 19 to 26 days. To find out the length of the grace period for your credit card, go to the comparison tables at the back of this publication, or ask your credit card issuer.

Here's an example of an interest-free period:

- Mr. Jones' statement covers transactions he made between October 1 and October 31 (31-day billing period).
- Mr. Jones made a new purchase on October 5.
- His payment due date is November 19. Therefore, the grace period provided by his credit card issuer is 19 days.


Start of billing period - October 1
Purchase date - October 5
End of billing period (statement date) - October 31
Payment due date - November 19
4 days
26 days
19-day grace period
The interest-free period on Mr. Jones' October 5 purchase is
26 days + the 19-day grace period = 45 days

The total interest-free period on the purchase Mr. Jones made on October 5 is 45 days, but **only applies if certain conditions are met** (see "When Does the Interest-Free Period Apply?" on the next page).

When Does the Interest-Free Period Apply?

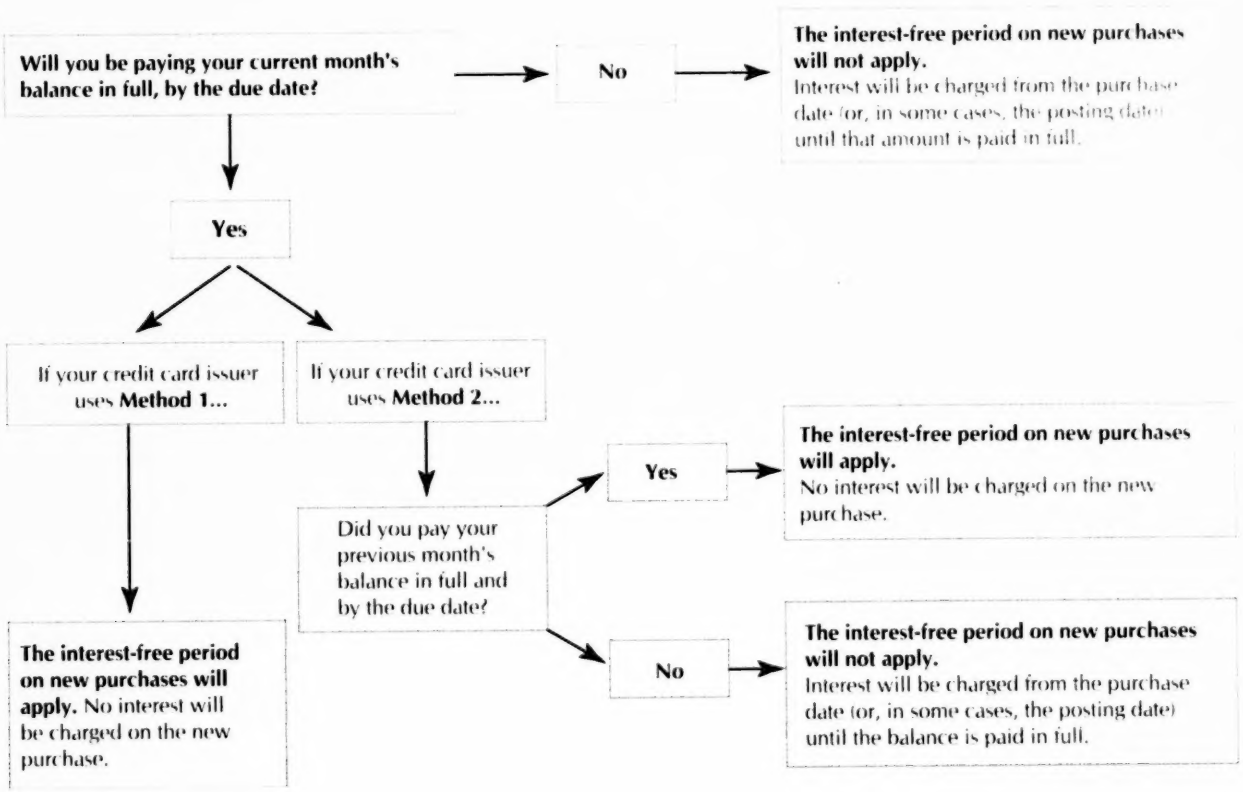
To determine whether the interest-free period applies to your new purchases, credit card issuers use one of two methods (described in Table 2 as Method 1 and Method 2). To find out which one your credit card issuer uses, ask the issuer, or refer to the comparison tables at the back of this guide.

Table 2: Methods of Applying Interest-Free Periods

Method 1	Method 2
For the interest-free period to apply to your new purchases, you must pay your **current month's balance in full by the due date.**	For the interest-free period to apply to your new purchases, you must pay your current month's balance **in full by the due date, and you must also have paid your previous month's balance in full by the due date** (you are not carrying a balance from the previous month).
Example: Let's say Mr. Jones carried a balance of $2,000 from September (he did not pay his September balance in full). During the month of October, he made a new purchase ($1,000 on October 5). He paid his new balance in full by the due date indicated on his statement (November 19). **If Mr. Jones' credit card issuer uses Method 1**: Mr. Jones will have to pay interest only on the $2,000 carried over from September. He will benefit from the interest-free period on new purchases because he paid his current balance in full by the due date. **If Mr. Jones' credit card issuer uses Method 2**: Mr. Jones will have to pay interest on the $2,000 carried over from September **and** on the new purchase of $1,000, because Mr. Jones carried a balance over from September.	

Interest-Free Period Flow Chart

Follow the flow chart below to find out whether the interest-free period applies to your new purchases. Refer to the comparison tables at the back of this guide to see whether your credit card issuer uses Method 1 or Method 2.


Will you be paying your current month's balance in full, by the due date?
No
The interest-free period on new purchases will not apply.
Interest will be charged from the purchase date (or, in some cases, the posting date) until that amount is paid in full.
Yes
If your credit card issuer uses Method 1...
If your credit card issuer uses Method 2...
Did you pay your previous month's balance in full and by the due date?
Yes
The interest-free period on new purchases will apply.
No interest will be charged on the new purchase.
No
The interest-free period on new purchases will not apply.
Interest will be charged from the purchase date (or, in some cases, the posting date) until the balance is paid in full.
The interest-free period on new purchases will apply. No interest will be charged on the new purchase.

About Introductory Rates

Have you received an attractive introductory rate offer from a credit card issuer? If you carry a balance on your credit card, such offers may be advantageous. However, be aware that these low rates generally apply for a **limited time only**. As soon as the introductory period ends, the rate will increase to the card's regular rate (see the comparison tables at the back of this publication).

Before applying for a specific credit card, it is important that you understand the terms and conditions of the introductory offer. Ask the credit card issuer:

- what transactions the introductory rate offer applies to;
- when the introductory period will end;
- what the interest rate will be at the end of the introductory period;
- if the introductory rate will end if you make a late payment or exceed your credit card limit;
- if any other fees or conditions apply.

Don't base your credit card decision solely on one factor such as an attractive introductory rate. Make sure you understand all of the features and conditions of a card to decide whether it is right for you.

Getting the Most from Low Introductory Rates

Before you accept a credit card with a low introductory rate offer, find out which transactions the offer applies to. If the low introductory rate applies only to balance transfers and/or cash advances (and not to purchases), **limit your new purchases** until you pay off the balance transfer or cash advance to save money in the long run.

If you make purchases while carrying a balance, you may reduce the potential savings from the low introductory rate on your balance transfer or cash advance, generally for two reasons: you lose the interest-free period on new purchases and your payments will be first applied to the lower-interest balance. These two reasons are explained below.

1) Loss of the interest-free period on new purchases

If you do not pay off the entire balance at the end of the first month, **you lose the interest-free period on new purchases** (see pages 6 to 8 for an explanation of interest-free periods). **This means that you begin paying interest, usually at the credit card's regular higher rate**, on your new purchases from the date you make them or, in some cases, the day they are posted to your account.

2) Your payments are first applied to the lower-interest balance

Most institutions **apply your payments to balance transfers and cash advances before they apply them to purchases. This is called the "order of transactions" related to payments**. If you make a cash advance or balance transfer at a low introductory rate and then make purchases, **you end up reducing your potential savings because you will be paying off the lower interest debt** (your balance transfer or cash advance) **first** and carrying the higher interest debt (your purchases) for a longer time. (See Example 2 on the next page.)

However, the order of transactions may vary from one institution to the other. Ask your credit card issuer to explain how its "order of transactions" applies to your payments.

Example 2: Getting the Most from Low Introductory Rates

In both of the following cases:

- On October 1, you transfer a balance of $5,000 from an old card to a new one to benefit from the low introductory rate.
- Your new card has a 6% introductory rate on balance transfers, and an 18% interest rate on purchases.
- Your payments are applied first to balance transfers, then to purchases.
- **In both cases, you will have a $5,000 balance remaining, but you will pay $9.06 less interest in Case 1.**

Case 1:

- You make **no other purchases** during the month.
- You will pay **$25.47** in interest charges.

Case 1: No other purchases	**Outstanding Balance**
October 1: Balance transfer	$5,000
October 31: Outstanding balance	**$5,000**
Interest rate on balance transfer	6%
Interest charged for October	**$25.47***

* $5,000 x (6% interest rate ÷ 365 [days in a year] x **31** days) = $25.47

Case 2:

- A few days after the transfer, you make a **purchase** of $1,000 on your new card.
- The day following the purchase, you make a **partial payment of $1,000** to bring the balance back to $5,000.
- You will pay **$34.53** in interest charges.

Case 2: Additional purchase	**Outstanding Balance** From the balance transfer	From the purchase
October 1: Balance transfer	$5,000	
October 5: Purchase of $1,000		$1,000
October 6: Partial payment of $1,000 (applied to balance transfer)	$4,000	
October 31: Total outstanding balance = $5,000	**$4,000**	**$1,000**
Interest rate on each balance	6%	18%
Interest charged for October	$21.21*	$13.32**
Total interest charged for October	**$34.53**	

* Balance transfer: [$5,000 x (6% interest rate ÷ 365 [days in a year]) x **5** days + $4,000 x (6% interest rate ÷ 365 [days in a year]) x **26** days] = $21.21

** Purchase: [$0 x (18% interest rate ÷ 365 [days in a year]) x **4** days + $1,000 x (18% interest rate ÷ 365 [days in a year]) x **27** days] = $13.32

Your Credit History

The file containing your credit history is held at one, or both (this depends on which credit bureau your financial institutions or retailers deal with) of the two major credit bureaus in Canada: Equifax or TransUnion.

When you sign a document such as a lease or a credit card application, **you are authorizing that company to verify your credit history**. From time to time, the company sends information about your payment history to the credit bureaus.

Your credit file paints a picture of your past and current financial situation. In short, it reflects:

- your recent place(s) of residence
- your employment history
- your current debts
- whether you pay your bills on time
- whether you have been denied a loan by a financial institution in the past
- your history of bankruptcy, if any.

You should request a copy of your credit file at least once a year. This service is usually provided to you free of charge. If you feel that the information in your file is not accurate, you can ask the credit bureau or your credit issuer to investigate the matter further. To obtain more information on how to request your credit file, contact both Equifax and TransUnion, as indicated below:

Equifax Canada
www.equifax.com 1-800-465-7166 (toll-free)

TransUnion Canada
www.tuc.ca 1-866-525-0262 (toll-free)

Building a Credit History with a Credit Card

When you apply for a credit card, a financial institution or retailer will likely verify your credit history to determine whether or not you are likely to pay back the money you borrow on the card.

Once you are approved and begin using your credit card, **the credit card issuer will report the activity on your card to the credit bureaus** (for example, your outstanding balance and whether you are making the required monthly payments). This will help you build a credit history and earn a credit rating.

Having a good credit history is extremely important! If you have a poor credit history, you could be denied a loan (such as a mortgage, car loan or another personal loan) in the future, or you could end up paying much more for these loans. Additionally, this could affect other areas of your life, such as preventing you from getting a lease on an apartment, since landlords can also access your credit history. There are many things you can do to build and maintain a good credit history; these are indicated below.

How to Build and Maintain a Good Credit History

- DO always try to pay your bills on time.
- DO contact your creditors if you are having trouble making payments.
- DO make sure your monthly account statement does not contain any errors.
- DO check your monthly statement for changes the credit issuer may make to your credit card agreement.
- DO request your credit file from the credit bureaus at least once a year to make sure it does not contain any errors.
- DO deal with companies that you know and trust.
- DON'T accept or use any form of credit until you understand and are comfortable with its terms and conditions. This will avoid misunderstandings between you and the credit issuer.
- DON'T wait to report unauthorized transactions on your account. Contact your credit issuer immediately.
- DON'T exceed your credit limit on your credit card.

How to Protect Yourself from Unauthorized Transactions

- As soon as you receive a new credit card, **sign the back.** Cancel and destroy cards you no longer need.
- Make sure that your monthly credit card statement reflects the transactions you made during the month. **Immediately report any unauthorized transactions to your credit card issuer.**
- Don't give personal information or your credit card account number over the phone or the Internet unless you are confident that you are dealing with a company you know and trust.
- Keep important information such as your date of birth, your social insurance number (SIN) or your other personal identification safe.
- **Access your credit file once a year** to ensure it is accurate and doesn't contain loans or activities you haven't authorized (for more information on your credit file, see page 11).
- Keep your personal identification number (PIN) separate from your credit card and never disclose it to anyone.

What You Should Do If You Find Unauthorized Transactions on Your Account

If you find unauthorized transactions on your credit card account, follow the steps below to find out whether you can be reimbursed:

Step 1:
Contact your credit card issuer immediately to report the unauthorized transactions.

Step 2:
Check your credit card agreement. By law, your agreement must contain a section that explains your maximum liability (usually $50) in the case of lost or stolen credit cards, or the unauthorized use of your credit card number.

Step 3:
Find out if your credit card issuer offers "Zero-Liability" on unauthorized transactions. For example, Visa and MasterCard cardholders are protected beyond the maximum liability found in their credit card agreements. This is done through a public commitment Visa and MasterCard call the "Zero-Liability Policy". If your Visa or MasterCard is lost or stolen, or if someone uses your Visa or MasterCard account number to make transactions you did not authorize, you can usually be reimbursed.

This policy applies to transactions made on the Internet, by phone or at retailers, **but may exclude personal identification number (PIN)-based transactions** – for example, a cash advance made on your card at an automated banking machine (ABM) – **and transactions made on corporate credit cards.** Find out from your credit card issuer whether they have such a policy and how it can protect you. **Note that these policies are not listed in credit card agreements**, since they are public commitments and not legal requirements.

NOTES

CREDIT CARD COMPARISON TABLES

The following section contains tables comparing the costs and features of various credit cards.

Low-Rate Credit Cards

Find out how much you could save with a low-rate credit card by looking at Example 1 on page 5.

Low-rate credit cards are divided into two parts:

*a) **Low-Rate Cards: Interest rate determined before you apply***

*b) **Low-Rate Cards: Interest rate determined only when your card is issued.*** Because your interest rate will depend on your credit history, you will not know your exact rate when you apply; only when you receive your card. There is an exception: when you receive a personalized credit card offer, the interest rate will already be determined in the offer. **If the interest rate is an important factor in your credit card decision, make sure you are comfortable with the rate you obtain before activating or using the card.**

a) Low-Rate Cards: Interest Rate Determined Before You Apply

Card Issuer (in alphabetical order)	Card Name	Annual Fee ($)	Annual Interest Rate for Purchases[1] (%)	Annual Interest Rate for Cash Advances[2] (%)	Annual Interest Rate for Balance Transfers[2] (%)	Grace Period on Purchases[3] (Days/Method)
BMO Bank of Montreal	**Mosaik MasterCard with low-rate option**	15	12.90	7.90	7.90	19 – M1
CIBC	Select Visa	29	10.50	10.50	10.50	24 – M1
CS Alterna Bank	Low-Rate Option MasterCard	15	12.90	7.90	7.90	23 – M1
CS CO-OP	Low-Rate Option MasterCard	15	12.90	7.90	7.90	23 – M1
Fédération Desjardins	Low-Rate Option Visa	25	8.90	8.90	8.90	21 – M1
HSBC	Low-Rate MasterCard	15	12.90	7.90	7.90	23 – M1
Laurentian Bank	Black Visa (Reduced Rate Option)	29	10.50	10.50	10.50	21 – M1
National Bank	Low-Rate Option MasterCard	15	13.90	8.90	8.90	21 – M1
Niagara Credit Union	Low-Rate MasterCard	25	**13.90**	**13.90**	**13.90**	21 – M1
Royal Bank	Visa Classic Low-Rate	25	10.50	10.50	10.50	21 – M1[4] or M2
Scotiabank	Value Visa No Fee Value Visa	29 –	9.90 11.90	9.90 11.90	9.90 11.90	26 – M1 26 – M1
Vancouver City Savings Credit Union	Envirofund Visa (Low Interest)	25	**9.75**	**9.75**	**9.75**	21 – M1

[1] If the balance is not paid in full by the due date, interest is calculated from the date the item was purchased – or, in some cases, the date the item is posted to your account.

[2] For cash advances or balance transfers, interest is calculated from the date funds are borrowed. There is no grace period.

[3] The grace period represents the number of days between the statement date and the payment due date. The actual interest free period could be longer, depending on the date an item was purchased. M1 (Method 1) and M2 (Method 2) refer to the type of grace period applied by the credit card issuer. See pages 6 to 8 for a detailed explanation of the two methods.

[4] The Royal Bank states it currently uses M1 for these credit card accounts, but its disclosure documents permit the use of M2.

Items in bold represent a change from the Summer 2002 issue of *Credit Cards and You*, or a new item.

Low-Rate Credit Cards (continued)

b) Low-Rate Cards: Interest Rate Determined Only When Your Card Is Issued

Card Issuer (in alphabetical order)	Card Name	Annual Fee ($)	Annual Interest Rate for Purchases[1] (%)	Annual Interest Rate for Cash Advances[2] (%)	Annual Interest Rate for Balance Transfers[2] (%)	Grace Period on Purchases[3] (Days/Method)
National Bank	Syncro MasterCard	35	Prime + 4% or 6%[4]	Prime + 4% or 6%[4]	Prime + 4% or 6%[4]	21 – M1
Scotiabank	ScotiaLine Visa	—	As low as prime + 2.5%[4]	As low as prime + 2.5%[4]	As low as prime + 2.5%[4]	26 – M1
TD Bank	TD Emerald Visa	12	**Prime + 1.9% to prime + 6.9%**[4]	**Prime + 1.9% to prime + 6.9%**[4]	**Prime + 1.9% to prime + 6.9%**[4]	21 – M1

If the balance is not paid in full by the due date, interest is calculated from the date the item was purchased – or, in some cases, the date the item is posted to your account.

For cash advances or balance transfers, interest is calculated from the date funds are borrowed. There is no grace period.

The grace period represents the number of days between the statement date and the payment due date. The actual interest-free period could be longer, depending on the date an item was purchased. M1 (Method 1) and M2 (Method 2) refer to the type of grace period applied by the credit card issuer. See pages 6 to 8 for a detailed explanation of the two methods.

[4] Depending on your credit rating.

Items in bold represent a change from the Summer 2002 issue of *Credit Cards and You* or a new item.

Standard Credit Cards

Standard credit cards are divided into two parts:

a) ***Standard Cards: Interest rate determined before you apply***

b) ***Standard Cards: Interest rate determined only when your card is issued.*** Because your interest rate will depend on your credit history, you will not know your exact rate when you apply; only when you receive your card. There is an exception: when you receive a personalized credit card offer, the interest rate will already be determined in the offer. **If the interest rate is an important factor in your credit card decision, make sure you are comfortable with the rate you obtain before activating or using the card.**

a) Standard Cards: Interest Rate Determined Before You Apply

Card Issuer (in alphabetical order)	Card Name	Annual Fee ($)	Annual Interest Rate for Purchases[1] (%)	Annual Interest Rate for Cash Advances[2] (%)	Annual Interest Rate for Balance Transfers[2] (%)	Grace Period on Purchases[3] (Days Method)
BMO Bank of Montreal	**Mosaik MasterCard with no-fee option**	–	18.40	18.40	18.40	19 – M1
Canadian Tire	Options MasterCard		18.90	18.90	18.90	21 – M1
CIBC	Classic Visa		18.50	18.50	18.50	24 – M1
	Entourage American Express		19.50	19.50	19.50	24 – M1
CS Alterna Bank	MasterCard		18.40	18.40	18.40	19 – M1
CS COOP	MasterCard		18.40	18.40	18.40	19 – M1
Diners Club International	Standard Card	65	22.00	22.00	22.00	25 – M2
Federation Desjardins	Classic Visa		17.90	17.90	17.90	21 – M1
HSBC	MasterCard		18.40	18.40	18.40	19 – M1
Laurentian Bank	Black Visa		17.99	17.99	17.99	21 – M1
National Bank	Regular MasterCard		18.90	18.90	18.90	21 – M1
Niagara Credit Union	**No-Fee Loyalty MasterCard**		18.90	18.90	18.90	15 – M1
President's Choice Bank	President's Choice Financial MasterCard		17.97	17.97	5.97 on balance transfers over $200 made before Dec. 31, 2002 (applicable until the balance transfer is paid in full)	25 – M1
Royal Bank	Visa Classic	–	17.90	18.50	18.50	21 – M1[4] or M2
Scotiabank	No Fee Classic Visa	–	18.50	18.50	18.50	26 – M1
	Classic Visa	8	17.90	17.90	17.90	26 – M1
TD Bank	TD Green Visa	–	18.50	18.50	18.50	21 – M1
Vancouver City Savings Credit Union	Envirofund Visa	–	**17.75**	**17.75**	**17.75**	21 – M1

[1] If the balance is not paid in full by the due date, interest is calculated from the date the item was purchased – or, in some cases, the date the item is posted to your account.

[2] For cash advances or balance transfers, interest is calculated from the date funds are borrowed. There is no grace period.

[3] The grace period represents the number of days between the statement date and the payment due date. The actual interest free period could be longer, depending on the date the item was purchased. M1 (Method 1) and M2 (Method 2) refer to the type of grace period applied by the credit card issuer. See pages 6 to 8 for a detailed explanation of the two methods.

[4] The Royal Bank states it currently uses M1 for most of its credit card accounts, but its disclosure documents permit the use of M2.

Items in bold represent a change from the Summer 2002 issue of *Credit Cards and You* or a new item.

Standard Credit Cards (continued)

b) Standard Cards: Interest Rate Determined Only When Your Card Is Issued

Card Issuer (in alphabetical order)	Card Name	Annual Fee ($)	Annual Interest Rate for Purchases[1] (%)	Annual Interest Rate for Cash Advances[2] (%)	Annual Interest Rate for Balance Transfers[2] (%)	Grace Period on Purchases[3] (Days Method)
American Express	Standard Card	–	9.90 (6-month introductory rate) 17.99 – 19.99 (thereafter)[4]	19.99	9.90 (6-month introductory rate) 17.99 – 19.99 (thereafter)[4]	21 – M1
Capital One Bank	MasterCard	–	**2.9** (6-month introductory rate) **7.90** – 19.80 (thereafter)[4]	19.80	**2.9** (6-month introductory rate) **7.90** – 19.80 (thereafter)[4]	25 – M2
Citibank	Citi MasterCard	–	16.90 – 18.50[4]	16.90 – 18.50[4]	4.90 (6-month introductory rate) 16.90 – 18.50 (thereafter)[4]	20 to 25 – M2
MBNA Canada	Preferred MasterCard	–	9.99 – 19.99[4]	9.99 – 19.99[4]	1.90 (4-month introductory rate) 9.99 – 19.99 (thereafter)[4]	25 – M2

If the balance is not paid in full by the due date, interest is calculated from the date the item was purchased – or, in some cases, the date the item is posted to your account.

For cash advances or balance transfers, interest is calculated from the date funds are borrowed. There is no grace period.

[3] The grace period represents the number of days between the statement date and the payment due date. The actual interest free period could be longer, depending on the date the item was purchased. M1 (Method 1) and M2 (Method 2) refer to the type of grace period applied by the credit card issuer. See pages 6 to 8 for a detailed explanation of the two methods.

[4] Depending on your credit rating.

Items in bold represent a change from the Summer 2002 issue of *Credit Cards and You*, or a new item.

Student Credit Cards

The table below compares credit cards that are specifically for students. These cards normally have a lower credit limit (usually between $500 and $1,000) than other types of credit cards.

Students can also consider other types of cards (such as standard, low-rate, retail or charge) if they meet the requirements of these cards (this usually includes a minimum level of income).

Student Credit Cards

Card Issuer (in alphabetical order)	Card Name	Annual Fee ($)	Annual Interest Rate for Purchases[1] (%)	Annual Interest Rate for Cash Advances[2] (%)	Annual Interest Rate for Balance Transfers[2] (%)	Grace Period on Purchases[3] (Days/Method)
CS Alterna Bank	Student MasterCard	–	18.40	18.40	18.40	19 – M1
CS CO-OP	Student MasterCard	–	18.40	18.40	18.40	19 – M1
Federation Desjardins	Visa Desjardins d.plan for Students	–	17.90	17.90	17.90	21 – M1
	Visa Desjardins d.plan for Students – Low-rate option	25	8.90	8.90	8.90	21 – M1
Niagara Credit Union	Student MasterCard	–	18.75	18.75	18.75	21 – M1
Royal Bank	Student Visa Classic	–	17.90	18.50	18.50	21 – M1[4] or M2
Scotiabank	Student Visa	–	17.90	17.90	17.90	26 – M1
Vancouver City Savings Credit Union	Envirofund Student Visa		17.75	17.75	17.75	21 – M1

[1] If the balance is not paid in full by the due date, interest is calculated from the date the item was purchased – or, in some cases, the date the item is posted to your account.
[2] For cash advances or balance transfers, interest is calculated from the date funds are borrowed. There is no grace period.
[3] The grace period represents the number of days between the statement date and the payment due date. The actual interest free period could be longer, depending on the date an item was purchased. M1 (Method 1) and M2 (Method 2) refer to the type of grace period applied by the credit card issuer. See pages 6 to 8 for a detailed explanation of the two methods.
[4] The Royal Bank states it currently uses M1 for most of its credit card accounts, but its disclosure documents permit the use of M2.

Retail Credit Cards

Card Issuer (in alphabetical order)	Annual Fee ($)	Interest Rate (%)	Grace Period[1] (Days/Method)	Interest Calculated from Purchase Date	Interest Calculated from Statement Date[2]
Canadian Tire	–	28.80	25-30 – M1	-	✓
HBC[3]	–	28.80	25-30 – M1	-	✓
Petro-Canada	–	24.00	25-30 – M2	✓	-
Sears	–	28.80	25-30 – M1	-	✓

[1] The grace period represents the number of days between the statement date and the payment due date. The actual interest free period could be longer, depending on the date an item was purchased. M1 (Method 1) and M2 (Method 2) refer to the type of grace period applied by the credit card issuer. See pages 6 to 8 for a detailed explanation of the two methods.

[2] Some retailers charge you less interest because they calculate interest from the date your statement is issued rather than from the date you purchase an item.

[3] As of September 2001, new Zellers and Hudson's Bay credit cards are issued under the HBC brand. A number of Zellers and Hudson's Bay credit cards issued prior to September 1, 2001 are still in circulation.

Charge Cards

Card Issuer (in alphabetical order)	Annual Fee ($)	Penalty Interest Rate (%)	Grace Period[1] (Days/Method)	Penalty Interest Calculated from Purchase Date	Penalty Interest Calculated from Statement Date[2]
American Express	55	30.0	30 – M2	-	✓
Diners Club International	65	30.0	52 to 60 – M2	-	✓
Irving Oil	–	24.0	25 – M1	-	✓

[1] The grace period represents the number of days between the statement date and the payment due date. The actual interest-free period could be longer, depending on the date an item was purchased. M1 (Method 1) and M2 (Method 2) refer to the type of grace period applied by the credit card issuer. See pages 6 to 8 for a detailed explanation of the two methods.

[2] This often results in a lower penalty than one calculated from the purchase date of an item.

Financial Consumer's Checklist

- Have you thought about:
  - How much credit you can handle
  - Whether you will be able to pay your balance in full each month
  - Whether you would benefit from reward programs
  - Whether you are prepared to pay an annual fee
  - Whether you shop at a particular retailer often enough to benefit from their card
- Have you **shopped around** for the credit card that best suits your needs?
- Do you understand the **terms and conditions** of the card, including the following:
  - Annual fee or other applicable fees
  - Minimum monthly payment
  - Interest charged on purchases, cash advances and balance transfers and how the interest is calculated
  - Grace period
  - Consequences of late payments
  - Other features and enhancements
- Do you understand the **terms and conditions** of the introductory offer (if any):
  - Which transactions the introductory offer applies to
  - When the introductory period ends
  - What the interest rate will be at the end of the introductory period
  - Whether any other fees or conditions apply to the offer
  - Whether the introductory rate period will end if you make a late payment or if you exceed your credit card limit, and if so, what the new rate would be
  - If any other fees or conditions apply
- Have you inquired about the **customer service** or support available for the card you have chosen?

Tips to Help You Save Money

- **Ask questions.** Your financial institution or retailer can help you.
- Don't base your credit card decision solely on one factor, such as introductory rates or reward programs. Look for the **overall package** that **best suits your needs** and your financial situation.
- If possible, **pay your entire balance** in full each month. If you cannot pay your balance off in full, transfer the balance to another form of credit that has a lower annual interest rate, such as a **line of credit**. If you do this every month, you will always benefit from the grace period on your credit card.
- If you carry a balance on a credit card, remember that interest is normally charged from the date purchases are made until they are paid in full. **Making early payments between statements will save you interest charges.**
- **Minimize cash advances**, since interest is charged from the day you borrow until the advances are paid in full.
- Allow enough time for your payment to reach your credit card company.
- Take advantage of **pre-authorized payment** options to ensure your monthly payments are paid from your savings/chequing account by the due date. However, keep track of these payments to ensure there is enough money to cover all withdrawals from your account.
- **Monitor your monthly billings or other mailings for notices of fee increases or rule changes** by your credit card company.

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